

Narrative Statements on Program and Performance

34.1. Purpose and content of narrative statements.

Narrative statements describe the performance goals, objectives, outputs, and outcomes related to an account. The statements should discuss how the budget year request supports these performance goals, objectives, outputs, and outcomes and be consistent with agency strategic plans and annual performance plans. (See Part 2 of this Circular.) Significant increases or decreases in performance or financing from the current to the budget year, including the termination of a program in the budget year should be addressed. Statements should be written in a concise manner that reflects the actual or estimated effects of the expenditure of resources in an account. (For instructions related to policy justifications, which are required in an agency's congressional justification and are subject to clearance by OMB, see section 12.9.)

Each account requires a narrative statement if there is ongoing activity in the current or budget year. Supplemental requests, rescission proposals, and items proposed for later transmittal also require separate narrative statements for each presentation.

Performance indicators and performance goals.—The statements should discuss both the short-range and the long-range performance goals of the program, and include data on significant performance indicators where appropriate. The statements can also include, as appropriate, performance indicators contained in the agency's annual financial statements or other appropriate indicators.

Generally, performance indicators which focus on outputs or outcomes should be used instead of workload and other process measures. Outputs should reflect the products and services that are provided by the account and delivered or used outside of the account. Outcomes should reflect the results related to the account. Tables may be used to illustrate and compare these indicators for the past, current, and anticipated budget year levels.

Collections and fees.—When collections and fees credited to the account finance a sizeable proportion or dollar level of the obligations, the discussions should address the nature of the reimbursable work performed. The discussions may also provide information on other amounts collected by the program and deposited into the general fund of the Treasury, when pertinent to the operations of the program.

Exemptions.—Unless otherwise requested by OMB, narrative statements are not required for (a) accounts in which there are only obligated balances for all years (e.g., consolidated schedules for expired accounts); or (b) accounts in which there are no unobligated balances in any year, no obligations or outlays are estimated in the current and budget years, and no further appropriations will be requested. However, a brief narrative may be desirable to explain the discontinuation of an account.

34.2. Style and form of narrative statements.

Narrative statements for accounts presented in the previous year's budget will be forwarded on reprinted galleys to the agencies for editing. Narrative statements for accounts not included in the reprinted galleys (e.g., new accounts or supplemental requests) will be prepared as new print materials. More detailed instructions on reprinted galleys and new print materials are provided in section 30.

The narrative statements should be written in a concise, factual manner. The statements should be oriented toward the policies and objectives for the budget year. The history, authorizing statutes, and other legal references should not be discussed, except as indicated below. However, it is appropriate to discuss significant legislation enacted since the previous budget, as well as legislative initiatives proposed in the budget. Quantitative tables that compare both significant program performance and dollar data should be included.

Narrative statements may use the separate activities or subactivities listed in the program and financing schedule as the basis for the discussion. The items will be identified in side headings by the title used in the obligations by program activity section of the program and financing schedule.

34.3. Narrative statements for major programs financed by multiple budget accounts.

Where the total financing needed to conduct a major program is not contained within a single budget account, the narrative statement of the account that finances the major portion of the program activity (i.e., the "primary" account) will include a table in the format of exhibit 34 that shows the total costs and all sources of funding for the program. The table will list the primary account and any other accounts (i.e., "supplementing" ac-

counts) that support the activity performed by the primary account.

For these purposes, major programs are those that obtain goods and services of \$100 million or more, in budget authority or outlays for the budget year, on a non-reimbursable basis from supplementing accounts.

Support provided by supplementing accounts includes the non-reimbursed cost of central support services that are directly attributable to implementation of the program, but not charged against the primary account. For example, in the case of a grant program, the budget account funding the grant would be the primary account, while a separate salaries and expenses account used for compensation of agency personnel responsible for implementing the program (e.g., disbursing and monitoring the grants) would be the supplementing account.

The table will display the budget authority, outlays, and FTE for PY-BY for the primary account and for each of the supplementing accounts. Program totals will also be provided. Agencies should consult with their OMB representative on the designation of major programs and the form and content of the information presented in the narrative table.

34.4. Narrative statements for revolving funds.

The narrative statement for a revolving fund will describe the enterprise's present and proposed program. The narrative will begin with a brief introduction that includes the present authorized purposes and any major changes made during the past year, in the current year, or proposed for the budget year. Following this brief introduction, these side headings will be used for each of the major topics to be covered.

Budget program.—This section will discuss the budget programs of each major activity shown in the program and financing schedule.

Financing.—Significant amounts relating to financing should be explained in this section, if necessary. Total authority to borrow, as well as amounts actually borrowed or repaid, should also be discussed here.

Operating results.—This section will discuss any significant information relating to revenue, expense, and net income or loss. It will explain the steps being taken to dispose of any deficits and the planned disposition of net earnings. The narrative will include an analysis of retained income on a cumulative basis, disclosing any budget authority amounts used to offset deficits for non-revenue producing outlays since the inception of the fund.

For each fund covered by section 102 of the Government Corporation Control Act, a specific recommendation will be made on the application of the retained earnings or restoration of capital impairment at the end of the past year. The recommendation should indicate: (a) the amount of retained income to be returned to the Treasury and the use to be made of the remainder, if any; and (b) whether restoration of any capital impairment is required and whether this should be done by appropriations or other means.

34.5. Narrative statements for Federal credit programs.

Narrative statements will cover direct loan and loan guarantee activities, addressing any significant change in the program objectives of the credit activities. In addition, agencies should address significant factors in developing subsidy estimates, such as default rates and interest rates charged to borrowers. In addition, where relevant, agencies should provide information about how risk categories (see section 33.4(u)) are defined. The discussion for loan guarantee programs also will indicate whether the full amount of the loan is guaranteed or, in other cases, the percentage of the loan covered by the guarantee.

In addition, the following paragraphs should be used, modified as necessary, to describe each program.

For liquidating accounts:

As required by the Federal Credit Reform Act of 1990, this account records, for this program, all cash flows to and from the Government resulting from [direct loans obligated] [and] [loan guarantees committed] prior to 1992. All new activity in this program (including modifications of direct loans or loan guarantees that resulted from obligations or commitments in any year) is recorded in corresponding program accounts and financing accounts.

For program accounts:

As required by the Federal Credit Reform Act of 1990, this account records, for this program, the subsidy costs associated with the [direct loans obligated] [and] [loan guarantees committed] in 1992 and beyond (including modifications of direct loans or loan guarantees that resulted from obligations or commitments in any year), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; the administrative expenses are estimated on a cash basis.

For direct loan financing accounts:

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

For guaranteed loan financing accounts:

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from loan guarantees committed in 1992 and beyond (including modifications of loan guarantees that resulted from commitments in any year). The amounts in this account are a means of financing and are not included in the budget totals.

34.6. Narrative statements in special cases.

The narrative statement should be tailored to explain any special circumstances affecting the method of financing the program.

Permanent budget authority.—The narrative statement will indicate the legal basis for the authority (since no appropriations language is presented for such items). In addition, for permanently appropriated special and trust fund accounts, the statement should indicate the source of money and the purposes of and restrictions on its use.

Agency debt and investments in agency debt.—For accounts that issue debt instruments (other than to Treasury or to the Federal Financing Bank) or invest in agency debt securities, the narrative statement will indicate the par value of outstanding debt securities issued by the account to the public, Treasury, Federal Financing Bank, and other agencies and the par value of securities owned that were issued by Federal agencies (other than Treasury) for PY-1 through BY, unless the information is provided in a balance sheet.

Limitations on borrowing or debt.—The narrative statement for accounts with a statutory limit on the amount of borrowing or on the amount of debt that can be outstanding at any one time will state the amount of the limit and will discuss the position of the fund with respect to the limit during the budget year. The discussion will include an estimate of how close to the limit the fund will approach during the year.

Analysis of Programs Financed by Multiple Budget Accounts

PY—past year CY—current year BY—budget year

Multiple Budget Account
Program Financing Table

Bureau of Standardization
Mechanical Standards Grants

Analysis of Programs Financed by Multiple Budget Accounts
(dollar amounts in millions)

	<u>PY</u>	<u>CY</u>	<u>BY</u>
<u>PRIMARY ACCOUNT</u>			
Mechanical standards grants:			
35-3492-0-1-809			
Budget authority	2,409	1,988	1,735
Outlays	2,215	1,843	1,639
Full-time equivalent			
employment (FTE)
<u>SUPPLEMENTING ACCOUNTS</u>			
Salaries and expenses (DOG):			
35-0100-0-1-809			
Budget authority	125	120	115
Outlays	128	123	118
Full-time equivalent			
employment (FTE)	2,500	2,400	2,300
Metallurgy research:			
83-1000-0-1-807			
Budget authority	50	50	50
Outlays	40	45	50
Full-time equivalent			
employment (FTE)	<u>500</u>	<u>500</u>	<u>500</u>
 TOTAL RESOURCES:			
Budget authority	2,584	2,158	1,900
Outlays	2,383	2,011	1,807
Full-time equivalent			
employment (FTE)	3,000	2,900	2,800